

15 October 2021

MR NHLANHLA GUMEDE

Energy Regulator

National Energy Regulator of South Africa (NERSA)

PO Box 40343

Arcadia

0083

PRETORIA

Email: Nhlanhla.Gumede@nersa.org.za

Dear Mr Gumede

EIUG RESPONSE ON NERSA REJECTION OF ESKOM MYPD5 APPLICATION

The Energy Intensive Users Group of Southern Africa (“EIUG”) was established in 1999 as a voluntary, non-profit association. It was incorporated as a Non-Profit Company in 2019. The group was founded on the belief that energy is the engine for economic growth and development in the country.

The EIUG has noted the NERSA rejection of Eskom’s Fifth Multi Year Price Determination (MYPD5) and the NERSA proposal for a year interim increase instead. The EIUG has in its response to the ESKOM Regulatory Clearing Account for Financial Year 2019/20 (RCA FY20) called for both the review of the pricing methodology and an interim 2–3-year fixed price increase be implemented in consultation with all key stakeholders. We believe this would ultimately offer stability and the ability to plan by all parties while a pricing methodology is being reviewed. So, this decision made by NERSA is close enough to our call, however, we have some few concerns regarding its pragmatic implementation. Firstly, EIUG would have preferred that this is done in consultation with stakeholders so as to avoid any possible further litigation by Eskom. Secondly, the EIUG is also concerned about the proposal to use a yet not approved methodology as a basis of the interim increase. Lastly, it would have been much better if this decision was made earlier to allow the stakeholders to meaningfully engage on interim increase determination and also allow Eskom sufficient time to prepare a new interim application.



Energy Intensive
Users Group SA Est. 1999

As EIUG, we believe the most pragmatic solution to effect the NERSA decision is to evaluate the current Eskom application as the basis for the interim increase(s) while the stakeholders are consulting on the new price determination methodology. A new pricing methodology may require one or more years to develop and a seamless transfer from the current methodology to a new agreed one will be preferable to disruptive changes that may end up in court.

As EIUG, we implore NERSA to work with Eskom to find an amicable way to implement the essence of this decision in a manner that is acceptable to both parties and does not result in another litigation. More importantly, is that both NERSA and Eskom have to consider the impact any protracted dispute might cause to the customers and the country at large. The country cannot afford yet another energy uncertainty while all efforts are being made to recover from an economic meltdown caused by the covid pandemic.

Yours sincerely

A handwritten signature in black ink, appearing to read 'F. Mondi', enclosed within a circular scribble.

FANELE MONDI

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The EIUG represents intensive energy users consuming around 40% of electricity, contributing over 20% of GDP and employing over 650 000 employees. EIUG therefore has a skin in the game and appreciates the opportunity to be heard in ESI related deliberations. The EIUG continues to engage Eskom, NERSA, government departments and other stakeholders in a constructive manner to raise our concerns and work with them in finding solutions. As a collective of stakeholders, we need to create an enabling electricity supply industry in order to prosper and empower the country through the deployment of self-generation, closing of the national supply deficit, stabilising our escalating electricity costs and the decarbonisation of our economy. The success of our economy is heavily dependent on a reliable and affordable electricity supply industry.